


NSC BRIEFING

25X6

PHILIPPINES

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I. Since Magsaysay's death in March 1957, Philippine political and economic picture has steadily reverted 

II. President Carlos Garcia who, as Vice President, succeeded Magsaysay, devoted his first 8 months in office to political maneuvering for the November 1957 presidential election.

A. Since then he has remained largely inattentive to the country's problems, allowing drift to continue.

B. Garcia has little influence with Congress, despite overwhelming control by his Nacionalista party. (19 of 23 Senate seats, <sup>83</sup>23 of 102 House seats.)

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C. Congressional session ending 22 May ignored most of his major economic bills, including his 1959 budget (\$670 million).

1. Special session begun 26 May seems unlikely to accomplish much, but will probably pass reduced budget.

D. Administrative efficiency has suffered from the delay of many key appointments until two months ago and from rewards to unqualified Garcia supporters.

III. Garcia has failed to cope successfully with economic problems plaguing country.

- A. These result in part from over-ambitious development program. But government budget and credit policies, evasion of exchange controls, and indiscriminate granting of import licenses during election campaign contributed substantially to a 50% drop in exchange reserves in 1957.
  - 1. Austerity effort launched in December has since been progressively relaxed and reserves, which rose in mid-March, fell to about \$100 million in May and are heavily committed.
- B. Consumer shortages and rising prices have stimulated unrest in rural areas and raised fears of increasing internal instability which could eventually result in revival of Commie influence. (Party illegal--3,000-5,000 membership.)
- C. It is within power of Philippine govt to go long way toward rectifying economic situation.
  - 1. But Garcia seems disinclined to undertake harsh corrective measures such as devaluation of the peso and cessation of deficit government spending.
- IV. The military (27,000 man army, air force has 145 aircraft) will remain relatively free of political manipulation and corruption and it will continue as important force for national stability over the next year at least.
- V. Garcia, who arrives on 17 June, is seeking US financial aid to bail him out of present troubles.
  - A. He has publicly emphasized his expectation of success, talking in terms of a \$300 million loan.

1. US aid figures since World War II:

|                                   |               |
|-----------------------------------|---------------|
| Reconstruction, damages, veterans | 2,500,000,000 |
| payments from 1946-1950           |               |
| Veterans payments 1951-1958       | 560,000,000   |
| Economic Aid 1951-1958            | 188,000,000   |
| Military aid 1951-1958            | 190,000,000   |
| Export-import credit (2/3 unused) | 93,000,000    |
| PL 480                            | 10,000,000    |
| Total                             | 3,541,000,000 |

B. If he fails to bring home enough bacon, he may in future blame US for Philippine economic woes.

C. He may also retaliate by raising difficulties over such problems as resumption of suspended negotiations over US bases.

1. In this connection, he has appointed as secretary of justice Jesus Barrera, who has anti-US record on the subject of jurisdiction over cases involving US servicemen and who has had past associations with leading Communists.

VI. A disgruntled Garcia could thus provide opportunity for small but influential group of neutralist-inclined Filipinos to exploit growing Philippine nationalism and sensitivity over dependence on the US.

A. There is now little genuine anti-Americanism in the Philippines but frustrations over <sup>US</sup> failure to bail out country could give nationalistic feelings an increasingly anti-US flavor.

VII. It is unlikely that the Philippines will take action which will jeopardize US base rights for the present. Philippines will continue in foreseeable future to present active participation in SEATO.